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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Access Charge Reform	)	CC Docket No. 96-262
	)	
Price Cap Performance Review for Local Exchange Carriers	)	CC Docket No. 94-1
	)	
MCI Telecommunications Corporation, Emergency Petition for Prescription	)	CC Docket No. 97-250
	)	
Consumer Federation of America *et al.*, Petition for Rulemaking	)	RM-9210

COMMENTS OF MEDIAONE GROUP, INC.

MediaOne Group, Inc. ("MediaOne") hereby submits its comments on the Commission's Public Notice ("Notice"), released October 5, 1998, which requests comments on Bell Atlantic's and Ameritech's proposals for access pricing flexibility.[1] MediaOne is the parent company of the third largest cable television multiple system operator ("MSO") in the United States, providing an increasing variety of cable services to approximately 5.0 million customers in 17 states. Through its subsidiary, MediaOne Telecommunications, Inc., MediaOne provides residential facilities-based competitive local telephone service in Atlanta, Georgia, Los Angeles, California, Pompano and Jacksonville, Florida, several communities surrounding Boston, Massachusetts, and Richmond, Virginia.

[1] Public Notice, Commission Asks Parties to Update and Refresh Record for Access Charge Reform and Seeks Comment on Proposals for Access Charge Reform Pricing Flexibility, CC Docket Nos. 96-262, 94-1, 97-250, RM-9210 (October 5, 1998) ("Notice").

INTRODUCTION AND SUMMARY

The Communications Act of 1934, as amended by the Telecommunications Act of 1996,[2/] directs the Commission to establish rules and policies that remove barriers to entry in the local exchange and exchange access marketplace. By doing so, Congress recognized that full and effective competition in these markets will lead to lower prices and better quality of service. The benefits of a competitive marketplace can easily be derailed, however, by dominant carriers seeking to retain their position in the marketplace through anticompetitive means.

MediaOne urges the Commission to deny ILECs additional access pricing flexibility until the ILECs have fully complied with their obligations under section 251 of the Communications Act. Granting ILECs such pricing flexibility before they have taken the steps necessary to open their local markets to competition would facilitate the ILECs' ability to target rate cuts only in areas where competition is most likely to develop and subsidize services subject to competition with rates from less competitive services. The threat of such anticompetitive behavior is inconsistent with the Commission's goal of fostering local competition and may drive recent entrants from the market.

There is no merit to the claims of Ameritech and Bell Atlantic that their markets are sufficiently open to warrant the requested relief. Their pricing flexibility plans lack the necessary benchmarks to ensure that ILECs face substantial competition from competitive local exchange carriers ("CLECs") and competitive access providers in the local exchange and local access markets. Instead, the Ameritech and Bell Atlantic plans are designed to provide ILECs with the means to utilize pricing flexibility in a strategic, anticompetitive manner. If approved, MediaOne

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[2/] Pub. L. No. 104-104, 100 Stat. 56, codified at 47 U.S.C. § 151 et seq. ("1996 Act").

believes that the Ameritech and Bell Atlantic access pricing flexibility plans would stifle emerging competition for local exchange and local access services before competitors can gain a meaningful foothold in the market.

DISCUSSION

Any market-based approach to access charge reform must condition ILEC pricing flexibility upon ILEC compliance with section 251 obligations so that substantial, facilities-based, competition can develop in the local telecommunications markets in the manner envisioned by Congress when it passed the 1996 Act.[3/] The pricing flexibility plans proposed by Ameritech and Bell Atlantic, which reduce price cap ILEC regulation of transport and switched access services in three phases as certain benchmarks are achieved, are not predicated upon the existence of actual competition in the local telecommunications markets. Rather, the Ameritech and Bell Atlantic proposals are designed to provide ILECs with substantial pricing flexibility upon the satisfaction of certain minimal benchmarks regardless of whether ILECs have satisfied their statutory and regulatory obligations and regardless of whether a competitive local telecommunications marketplace actually has developed.

The first phase of Ameritech's proposed transport services plan provides that once Ameritech provides 100 DS1 equivalent cross-connects, the Commission would permit geographic deaveraging within a study area, volume and term discounts for transport services, contract tariffs and individual requests for proposals ("RFPs"), enhanced ability to offer new access services, and upward pricing flexibility for zone prices of ten percent. The second phase of Ameritech's proposed transport services plan provides additional regulatory forbearance upon

[3/] 47 U.S.C. § 251(c).

a showing that competitors "can offer service to 25 percent of the market."[4] Under the third phase of Ameritech's plan, the Commission would fully eliminate transport services from price cap regulation once competitors can offer service to 75 percent of the market. In addition to its pricing flexibility proposal for transport service, Ameritech has proposed a similar plan for switched access services, which would provide ILECs with three levels of pricing flexibility upon a showing that they have met certain minimal benchmarks, including significant phase one regulatory relief triggered only by the existence of state-approved interconnection agreements or statements of generally available terms and conditions ("SGATs") for unbundled network elements, transport and termination compensation, and resale.[5]

As a threshold matter, the Ameritech and Bell Atlantic pricing flexibility proposals would give ILECs room under price caps to exercise increased market power by raising prices to areas and customers where competitive threats are minimal. For example, under the first phase of the Ameritech proposal, ILECs would be able to geographically deaverage access prices, and set volume and term discounts to limit the development of competition by strategically targeting price reductions for areas and customers, not where costs are lowest, but where they face the greatest threat of competition. The Commission lacks the means to police effectively such predatory pricing and current market conditions militate against eliminating existing and critical safeguards prematurely.

4/ See Ameritech Ex Parte Letter, CC Docket No. 96-262 dated June 5, 1998. Ameritech proposes to measure this benchmark on the basis of DS1 equivalents addressable by competitors via collocation in Ameritech's wire centers.

5/ See id. Bell Atlantic has filed similar pricing flexibility plans for transport, special access, and switched access services. See Bell Atlantic Ex Parte Letter, CC Docket No. 96-262 dated April 27, 1998.

Moreover, there is no basis for Ameritech's and Bell Atlantic's apparent belief that the satisfaction of certain triggers necessarily indicates the existence of a competitive marketplace. In this regard, experience has demonstrated that the execution of state-approved interconnection agreements or SGATs has little to do with whether ILECs will provide new entrants with the facilities and services specified under those agreements or SGATs. Competitors may have obtained paper promises of access at reasonable rates but, as discussed below, these contracts do not mean that CLECs are actually able to order and use interconnection services on a non-discriminatory basis.

As facilities-based providers of residential service, MediaOne's telecommunications companies operate from a position of relative independence from the ILECs. However, MediaOne has a short, but critical, list of essential ILEC services. Today, MediaOne's affiliates purchase interconnection trunks, transport and termination, Interim Number Portability and coordinated cut-overs associated with number portability, E-911, directory services listings, certain data services, and collocation from the ILECs to provide local telephone service. While its dependence upon ILECs may be less intrusive than that of other CLECs, MediaOne must nevertheless interact with the ILECs to process each and every one of its customers' service orders and to pass traffic seamlessly among the interconnected networks. Therefore, before MediaOne or any other company can effectively serve customers, operating support systems ("OSSs") need to be in place to guarantee seemless cut-overs.

Although MediaOne has entered into several interconnection agreements with ILECs, it has found that ILECs have attempted to inhibit MediaOne's telephony service deployment by refusing to comply with numerous terms and conditions of those agreements. ILECs have, as a general rule, failed to meet trunk installation timetables, improperly connected SS7 facilities, made numerous errors in processing MediaOne's number portability orders, and neglected to provide adequate information sharing. As a result, MediaOne has experienced unacceptable trunk blockage, an inability to provide custom calling features and CLASS services, and the inability of its customers to make calls, receive calls, or even to have dial tone.[6] These are the types of "mistakes" that make customers reconsider their decisions to switch to a new entrant and, so long as they go unchecked, there will be few real competitive alternatives available.

Until the ILECs can -- and choose to -- open their local markets and comply with their section 251 obligations, Congress's vision of an open and competitive telecommunications marketplace will never be fulfilled. The mere existence of interconnection agreements, SGATs, or cross-connect orders does not evidence an open local telecommunications marketplace. Adoption of the proposed Ameritech and Bell Atlantic access pricing flexibility plans would inhibit both local access competition and the market for local exchange residential telecommunications services, MediaOne's intended primary telecommunications market. Accordingly, MediaOne urges the Commission to reject the Ameritech and Bell Atlantic access price flexibility plans.

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[6] See In the Matter of Performance Measurements and Reporting Requirements for Operations Support Systems, Interconnection, and Operator Services and Directory Assistance, CC Docket No. 98-56, RM-9101, Comments of MediaOne at 5-8 (filed June 1, 1998).

CONCLUSION

As set forth above, the substantial regulatory relief requested by Ameritech and Bell Atlantic is premature, at best. Accordingly, MediaOne urges the Commission to reject the proposed Ameritech and Bell Atlantic pricing flexibility plans and condition any future pricing flexibility upon the emergence of demonstrable and widespread local exchange competition.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, LeShawn M. Riley, hereby certify that on this 26th day of October, 1998, I caused copies of the foregoing "Comments of MediaOne Group, Inc." to be delivered by hand to the following:

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